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CENTRAL INTELLIGENCE AGENCY

REPORT

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CD NO.

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ORGANIZATION OF COUNCIL FOR ECONOMIC MUTUAL ASSISTANCE

CEMA (Council for Economic Mutual Assistance) is headed by a supreme council which is assisted by a subordinate council, technical councils, and a secretariat.

The supreme council of CEPA met twice in Moscow and once in Sofia at the end of 1949. The Rumanian delegates to the supreme council were Gheorghiu-Dej and Vasile Luca. It is possible that Ana Pauker was also a delegate. All three participated at the first Moscow meeting, but only the two men were at the second one. The delegate from the USSR was A. I. Mikoyan; from Czechoslovakia, the Minister of Foreign Trade; and from Poland, Hilary Minc. The representatives of Bulgaria and Hungary are unknown. At the meeting of the subordinate council Rumania was represented by Gogu Radulescu, Czechoslovakia, by Lobel; Poland, by Hilary Minc; Bulgaria, by the chief of the Planning Commission; the USSR, by a delegate of the Planning Commission; and Hungary, by an unidentified delegate.

CEMA has the final word on Satellite economic plans. The echelons through which plans pass from an individual plant in Rumania to Moscow may be illustrated by the Rumanian food industry.

Food-processing plants are under the Directorate for Food Industries within the Rumanian Ministry of Domestic Trade. The domestic food trade is controlled by the Central Food Directorate in the Ministry of Food Industry. Foreign trade is controlled by Prodexport (Product Export) in the Ministry of Domestic Trade. Each individual factory prepares its own plan for industrial investments, production, finance, and products which must be imported. These figures are then turned over to the Directorate for Food Industries. The directorate prepares an over-all plan which is then submitted to the Ministry of Domestic Trade.

Each economic ministry collects plan figures from its components in a similar manner. Noneconomic ministries such as the Ministry of Armed Forces and the Ministry of Foreign Affairs also prepare similar plans. These plans are submitted to the Rumanian State Planning Commission. The chiefs of the various sections check the plans and return them to the ministers. The ministers then submit

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the plans to the secretariat of the PMR (Rumanian Communist Party) for final approval. In cases of disagreement between ministers, the chief of the Planning Commission decides. In theory, the Planning Commission has the deciding voice on all questions. In practice, the problem becomes more complicated. During the first years many mistakes were made due to the lack of experience and competence. The Planning Commission worked with statistics and had no contact with the practical aspects of fulfillment. Political factors, as well as domestic and foreign events, created new conditions which caused substantial plan changes. At present, the Planning Commission has enough experience to issue final directives and operate efficiently.

When the PMR approves the plan submitted by the ministers the figures are transmitted to Moscow. The secretariat of CEMA then returns the approved plan, with remarks and explanations, to the permanent delegate of Rumania. The delegate returns the plan to Rumania, where it is applied.

Thus, plan preparation is under Soviet control through CEMA. However, Soviet planners recognize that each Satellite country must adopt and draw up plans according to local conditions. Soviet planners are desirous of enlarging the volume of exchange between the Satellites, and between Satellites and the USSR; therefore, they may bring pressure to bear, regardless of these local conditions. In September 1949, the use of the ruble as the monetary base for all CEMA trade was decided on. The Gosbank was designated as the single banking institution for all trade, and it was determined that negotiations between Satellites, and between Satellites and Moscow, should be carried on in Moscow. The Gosbank and the Soviet insurance enterprises were already being used on a large scale to guarantee [the flow of] merchandise and maintain credits.

In September 1949, one of the secret problems submitted for discussion to chiefs of missions by the secretariat was the procurement in common of merchandise. However, this policy is not always applied. Sometimes a Satellite is assigned a supply of critical material such as tin, and, on occasion, Moscow buys for a Satellite.

Up to 1951, there was no commission for trade with capitalist countries. Radulescu, the Rumanian delegate, was entrusted with commercial negotiations. The Central Committee of the USSR Communist Party issued directives to the Ministry of Foreign Trade in regard to limiting dealings with the West. Those who refused to comply and continued trade against the party's orders were dealt with by the secret police. In this manner, Moscow forced the Satellites to trade almost exclusively within the framework of CEMA. However, at international economic conferences, the USSR emphasized the difficulty of economic relations with the West, accusing the so-called capitalistic nations of sabotage, embargo, and the stopping of exports to Eastern European countries.

The USSR effectively controls foreign trade of the Satellites through the fact that Ministers of Foreign Trade of the various countries are required to submit figures for trade with the West to Moscow. These figures must include data on merchandise, the supplying country, means of payment, and approximate value. Mikoyan then decides whether such imports or exports should be decreased or canceled completely, on the grounds that they could not be of effective use to the respective countries.

The Rumanian government finances purchases of strategic materials by barter exchange, by payment in hard currency, and by the granting of political advantages.

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The black market in foreign trade operates by the following means: the transit of merchandise through free ports, the change of destination of merchandise between the point of purchase and the point of delivery, black-market sale of gold for Swiss currency, the diplomatic pouch, the passport service, and the secret police. Currency obtained from the sale of gold in foreign countries is used to purchase merchandise and finance legations, for the secret police, for propaganda, and for bank guarantees to cover nonfulfillment of contract conditions (for example, Argentina and the O'Connor petroleum contract.)

Connections are made with foreign firms through representatives of state enterprises, through commercial attaches, and, up to 1950, through special party channels. A great many of the foreign firms with whom trade is carried on are under the control of the Communist Party; therefore, financial dealings with them involve special accounting. True prices are not recorded, and remittances are neither declared nor entered in the books. Thus, for example, an agent of the Polish government ordered, in his own name, merchandise to be purchased from the Italian firms Pirelli or Montecatini for a Polish enterprise. In addition to the price registered on the delivery invoice, the Italian firms paid the Polish firm a commission or rebate, which may have been, for example, 10 percent. Money thus sent to foreign countries is used to finance local Communist parties.

Export to Communist parties in foreign countries is made through one of three systems. The material or merchandise is sent as a "present," as in the case of Finland and Italy. The second method is export without transfer of currency. The third method is by free export, by payment of extremely low prices, or by payment for merchandise which is designated low quality but which is actually in a much higher category.

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